

## Message Text

SECRET

PAGE 01 MANAGU 01506 01 OF 04 020240Z  
ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01  
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02  
AGR-05 AID-05 CIAE-00 COM-02 DODE-00 FEA-01 NSC-05  
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FM AMEMBASSY MANAGUA  
TO SECSTATE WASHDC 2751  
INFO USCINCSO QUARRY HTS CZ  
AMEMBASSY GUATEMALA  
AMEMBASSY MEXICO  
AMEMBASSY PANAMA  
AMEMBASSY SAN JOSE  
AMEMBASSY SAN SALVADOR  
AMEMBASSY TEGUCIGALPA  
AMCONSUL BELIZE

S E C R E T SECTION 1 OF 4 MANAGUA 1506

E.O. 11652: GDS  
TAGS: AMGT, PFOR, NU  
SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: A. CERP 0001; B. STATE 038356; C. STATE 047671

1. U.S. INTERESTS: THE U.S. HAS SIGNIFICANT INTEREST IN NICARAGUA'S (A) EXCEPTIONALLY CONSISTENT SUPPORT FOR U.S. POLICIES IN THE UNITED NATIONS AND OTHER INTERNATIONAL FORA INCLUDING ALIGNMENT WITH THE U.S. ON CONFRONTATIONAL ISSUES; (B) CONTRIBUTION TO U.S. ECONOMIC PROSPERITY THROUGH ITS TRADITIONALLY FAVORABLE TREATMENT OF U.S. TRADE AND INVESTMENT, SUPPORT FOR OPEN INTERNATIONAL ECONOMY, AND CLOSE COOPERATION WITH THE U.S. ON REGIONAL AND GLOBAL ECONOMIC POLICY; AND (C) CONSTRUCTIVE COOPERATION IN ENCOURAGING CENTRAL AMERICAN GROWTH, STABILITY AND DEFENSE; E.G.,

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PAGE 02 MANAGU 01506 01 OF 04 020240Z

PROMOTING RESOLUTION OF THE EL SALVADOR-HONDURAS DISPUTE, PARTICIPATION IN REGIONAL ORGANIZATIONS (CACM) AND JOINT REGIONAL DEFENSE PLANNING (CONDECA).

2. AMBASSADOR'S OVERVIEW:

A. THE FUNDAMENTAL OVER-ALL OBJECTIVE OF U.S. POLICY IN

NICARAGUA IS TO ENSURE THAT THE PRESENT GOVERNMENT, AND ITS SUCCESSORS, MAINTAINS ITS TRADITIONAL MUTUALLY BENEFICIAL AND COOPERATIVE RELATIONS WITH THE UNITED STATES. AT PRESENT, THIS RELATIONSHIP IS DETERIORATING, DUE TO OUR CONCERN FOR PROMOTING GREATER RESPECT FOR HUMAN RIGHTS AND GON UNCERTAINTY REGARDING U.S. SECURITY ASSISTANCE AND OTHER POLICIES. THE OBJECTIVES AND ACTIONS DESCRIBED IN THIS DOCUMENT ARE DIRECTED TOWARDS ADVANCING AND BALANCING U.S. INTERESTS, AND ULTIMATELY STRENGTHENING OUR COOPERATIVE BILATERAL RELATIONSHIP WITH THE CURRENT AND FUTURE GOVERNMENTS. THE VARIOUS ELEMENTS OF THE MISSION -- STATE, AID, USIA, MILGP, PEACE CORPS, IAGS -- ALL HAVE AN IMPORTANT ROLE IN THE PURSUIT OF THIS OBJECTIVE.

B. U.S.-NICARAGUAN RELATIONS ARE INFLUENCED BY SHIFTS IN THE GLOBAL AND REGIONAL POWER BALANCES. IN THE 1970'S SOME COUNTRIES IN THE IMMEDIATE CARIBBEAN AREA HAVE SHIFTED TOWARDS NEUTRALISM OR SO-CALLED THIRD WORLD NON-ALIGNMENT IN EAST-WEST COMPETITION. A FEW COUNTRIES HAVE ADOPTED CONFRONTATION DIPLOMACY IN DEALINGS WITH THE UNITED STATES. MEXICO, VENEZUELA AND CUBA HAVE BECOME MORE ACTIVE IN EXTENDING THEIR INFLUENCE IN THE CARIBBEAN. IN NICARAGUA, AND ELSEWHERE, THERE IS A PERVASIVE SENSE OF U.S. RETRENCHMENT AND WITHDRAWAL AND RISING THIRD WORLD AND SOVIET BLOC POWER AND INFLUENCE.

C. THE EMERGENCE OF A MORE COMPLEX WORLD OF NEW GLOBAL AND REGIONAL POWER BLOCS AND ALIGNMENTS OFFERS A BROADER SET OF OPTIONS FOR NICARAGUA'S STRUCTURING OF EXTERNAL RELATIONS.

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SECRET

PAGE 03 MANAGU 01506 01 OF 04 020240Z

TIONS AND THE PURSUIT OF ITS DEVELOPMENT AND SECURITY OBJECTIVES. ARMS, TRAINING, CAPITAL, TECHNOLOGY AND AID ARE NOW AVAILABLE FROM THE INDUSTRIAL COUNTRIES OF EASTERN AND WESTERN EUROPE, NORTH AMERICA, RUSSIA AND JAPAN, AND EVEN SOME DEVELOPING COUNTRIES. NICARAGUA WILL LIKELY EXERCISE ITS OPTIONS TO AN INCREASING EXTENT AND MOVE TO A LESS COOPERATIVE POSTURE ON MATTERS OF U.S. INTEREST OVER NEXT FEW YEARS.

D. BECAUSE THE U.S. IS THE PREDOMINANT POWER IN THE HEMISPHERE, ITS POSTURES AND ACTIONS STRONGLY AFFECT OUR RELATIONS WITH SMALL, WEAK COUNTRIES LIKE NICARAGUA. THE MORE ASSERTIVE ROLE OF THE U.S. CONGRESS IN THE FOREIGN POLICY PROCESS HAS BEEN FOLLOWED CLOSELY AND VIEWED WITH GROWING CONCERN IN GON CIRCLES. THIS IS PARTICULARLY SO WITH REGARD TO CONGRESSIONAL REFUSAL TO AUTHORIZE FUNDS TO RESIST CUBA'S SOVIET-SUPPORTED COMBAT INVOLVEMENT IN ANGOLA, THE EVIDENT SENTIMENT FAVORING FURTHER UNILATERAL U.S. ARMS RESTRAINT, AND PRESSURES TO REDUCE OR END DEVELOPMENT AND SECURITY

ASSISTANCE TO COUNTRIES THAT VIOLATE HUMAN RIGHTS.

E. MAINTAINING MILITARY SECURITY IS THE PREDOMINANT OBJECTIVE AND MOST SENSITIVE CONCERN OF GON POLICYMAKERS. THERE IS A GROWING CONVICTION WITHIN THE GON THAT U.S. COMMITMENT TO NICARAGUA'S SECURITY IS LESS RELIABLE OR FIRM THAN BEFORE. ANY DECISION TO REDUCE SIGNIFICANTLY, OR ELIMINATE, OUR MILITARY SALES AND TRAINING PROGRAM WOULD SERIOUSLY DAMAGE OUR MUTUALLY BENEFICIAL AND COOPRATIVE RELATIONS WITH NICARAGUA.

F. THE PRESENT MODEST SECURITY ASSISTANCE PROGRAM SHOULD BE RETAINED, AND THE AID PROGRAM AND STAFF SHOULD GRADUALLY BE REDUCED IN THIS POST-EARTHQUAKE RECONSTRUCTION PERIOD, AS OUTLINED BELOW, TO BRING THEM MORE INTO LINE WITH LIMITED NATURE OF U.S. INTEREST IN NICARAGUA. CONTINUATION OF THESE ASSISTANCE PROGRAMS WILL MAINTAIN OUR SECRET

SECRET

PAGE 04 MANAGU 01506 01 OF 04 020240Z

ABILITY TO INFLUENCE THE GON TOWARD INVESTIGATING AND ENDING HUMAN RIGHTS VIOLATIONS, HOLDING OF DEMOCRATIC ELECTIONS IN 1978 AND 1981, AND FAVORING U.S. TRADE AND INVESTMENT. IN PURSUING EACH OF THESE INTERESTS, WE BELIEVE THAT INITIAL PRIVATE DIPLOMATIC REPRESENTATIONS OFFER THE GREATEST POTENTIAL FOR SUCCESS. PUBLIC AND TANGIBLE RESPONSES MAY ULTIMATELY BECOME NECESSARY AND APPROPRIATE, BUT MUST ALWAYS BE BALANCED AGAINST OUR INTEREST IN MAINTAINING NICARAGUA'S COOPERATION AND SUPPORT FOR U.S. POLICIES.

### 3. U.S. OBJECTIVES, ACTIONS AND ISSUES

#### A. U.S. OBJECTIVES

--OBJECTIVE NO. 1: PROMOTION OF HUMAN RIGHTS: IMPROVE GON OBSERVANCE OF INTERNATIONAL HMAN RIGHTS STANDARDS AND PROMOTE GREATER OFFICIAL CONCERN FOR THE RIGHTS AND WELFARE OF THE POOREST SECTORS OF NICARAGUAN SOCIETY. ALLEGATIONS OF HUMAN RIGHTS VIOLATIONS HAVE DECLINED SUBSTANTIALLY SINCE MID-1976, BUT REPORTS OF ABUSES CONTINUE TO BE RECEIVED FROM AREAS OF CURRENT COUNTER-INSURGENCY OPERATIONS.

#### --PROPOSED ACTIONS:

(A) PROMOTE IMPARTIAL INVESTIGATIONS BY A RESPONSIBLE GROUP, NATIONAL OR INTERNATIONAL, OF ALLEGED HUMAN RIGHTS VIOLATIONS AND ENCOURAGE REMEDIAL GON ACTION IF ALLEGATIONS ARE SUBSTANTIATED (SEE ISSUE NO. 1).

(B) ENCOURAGE GON TO COMPLY RAPIDLY WITH ITS ANNOUNCED INTENT TO LIFT STATE OF SIEGE AND RESTORE FULL CONSTITUTIONAL

GUARANTEES.

(C) PROMOTE REORIENTATION OF GON INSTITUTIONS AND RESOURCES  
TOWARD GREATER ECONOMIC AND SOCIAL JUSTICE FOR THE MOST  
DISADVANTAGED SECTORS.

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SECRET

PAGE 05 MANAGU 01506 01 OF 04 020240Z

(D) PROMOTE RESPECT FOR RIGHTS OF WORKERS TO IMPROVE THEIR  
EMPLOYMENT CONDITIONS THROUGH SUPPORT OF DEMOCRATIC  
UNIONISM.

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PAGE 01 MANAGU 01506 02 OF 04 020251Z

ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01  
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02  
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AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMCONSUL BELIZE

S E C R E T SECTION 2 OF 4 MANAGUA 1506

--OBJECTIVE NO. 2: MAINTAIN FAVORABLE TRADE AND INVEST-  
MENT CLIMATE: INTENSIFIED U.S. EFFORTS WILL BE REQUIRED  
IN THE FACE OF INCREASED COMPETITION FROM EUROPEAN AND  
JAPANESE BUSINESSMEN WHO ARE NOT UNDER THE SAME ANTI-  
CORRUPTION CONSTRAINTS AS ARE THEIR U.S. COUNTERPARTS.  
GON PERCEPTION OF DECLINING U.S. RESPONSIVENESS TO

NICARAGUA'S SECURITY REQUIREMENTS AND U.S. HUMAN RIGHTS CRITICISM HAVE SPURRED GON EFFORTS TO DIVERSIFY AWAY FROM CLOSE ECONOMIC RELATIONS WITH THE UNITED STATES AND TO SHIFT OFFICIAL PROCUREMENT TO NON-U.S. SUPPLIERS.

--PROPOSED ACTION: IMPRESS ON THE GON THAT DISCRIMINATORY PRACTICES WILL RESULT IN U.S. REACTIONS WHICH WILL NOT SERVE NICARAGUAN INTERESTS (SEE ISSUE NO. 2).

-- OBJECTIVE NO. 3: ENCOURAGE DEMOCRATIC PLURALISM:  
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SECRET

PAGE 02 MANAGU 01506 02 OF 04 020251Z

PROMOTE ORDERLY MOVEMENT TOWARDS FREE MUNICIPAL AND NATIONAL ELECTIONS. EMBASSY HAS MAINTAINED A DIALOGUE WITH BROAD SPECTRUM OF MODERATE OPPOSITION FORCES TO DEMONSTRATE AN EVEN-HANDED AND NEUTRAL APPROACH TO NICARAGUA'S POLITICAL FUTURE. HOWEVER, THE ANTI-SOMOZA OPPOSITION IS DISUNITED AND DEMORALIZED, STEMMING IN PART FROM CONVICTION THAT THE SOMOZA REGIME CAN AND WILL RETAIN EFFECTIVE POWER THROUGH ELECTORAL MANIPULATION AND FRAUD.

--PROPOSED ACTIONS:

(A) SUPPORT DISCREETLY THE PRINCIPLE OF FREE MUNICIPAL ELECTIONS IN 1978 IN PREPARATION FOR MORE SERIOUS EFFORT TO ENCOURAGE FREE NATIONAL ELECTIONS IN 1981, WHILE MAINTAINING HARMONIOUS AND BALANCED RELATIONS WITH ALL IMPORTANT DEMOCRATIC POLITICAL ORGANIZATIONS (SEE ISSUE NO. 3).

(B) MAINTAIN AN ACTIVE AND PUBLIC DIALOGUE WITH THE OPPOSITION TO BELIEVE LONGSTANDING BELIEF THAT THE U.S. IDENTIFIES ITS INTERESTS WITH CONTINUATION OF THE SOMOZA REGIME. THIS TENDS TO CONFLICT WITH SOMOZA REGIME'S EFFORTS TO PORTRAY ITSELF AS THE CHOSEN INSTRUMENT OF THE U.S., AND UNLESS CAUTION IS EXERCISED, COULD LEAD TO A GON POLICY CHANGE WITH ADVERSE EFFECTS ON OTHER U.S. INTEREST.

(C) CONTINUE SELECTIVE TRAINING OF THE NATIONAL GUARD IN U.S. MILITARY DOCTRINE, INCLUDING RESPECT FOR DEMOCRATIC AND CONSTITUTIONAL GOVERNMENT.

(D) CONTINUE TO EMPHASIZE ASSISTANCE PROGRAMS WHICH DECENTRALIZE AND STRENGTHEN SOCIAL SERVICE DELIVERY SYSTEMS AND TO PROMOTE DEMOCRATIC, SELF-HELP ORGANIZATIONS SUCH AS COOPERATIVES AMONGST NICARAGUAN POOR.

-- OBJECTIVE NO. 4: ASSIST ECONOMIC AND SOCIAL DEVELOPMENT: U.S. ASSISTANCE PROGRAMS ADVANCE MUTUALLY BENEFICIAL POLITICAL AND ECONOMIC RELATIONS, DEMONSTRATE  
SECRET

SECRET

PAGE 03 MANAGU 01506 02 OF 04 020251Z

AMERICA'S HUMANITARIAN CONVERN FOR THE POOR MAJORITY AND ESTABLISH BONDS OF FRIENDSHIP AND RESPECT WITH POTENTIAL FUTURE LEADERS. U.S. AID AND PEACE CORPS PROGRAMS HELP TO CREATE AN ENVIORNMENT THAT FACILITATES RESPECT FOR HUMAN RIGHTS.

-- PROPOSED ACTIONS:

(A) CONTINUE OUR PROGRAMS DESIGNED TO REINFORCE RECENT GON FOCUS ON, AND INCREASED ALLOCATION OF RESOURCES TO, THE POOREST SECTORS OF THE SOCIETY.

(B) PROMOTE SELF-STARTING AND SELF-SUSTAINING LOCAL PROJECTS ORIENTED TOWARDS LOW INCOME SECTORS THROUGH BOTH AID AND PEACE CORPS PROGRAMS.

-- OBJECTIVE NO. 5: DISCOURAGE INCREASED ARMS PURCHASES: CONTINE TO ENCOURAGE GON TO LIMIT ITS ARMS ACQUISITIONS AND THE ACCOMPANYING DIVERSION OF GOVERNMENT BUDGETARY RESOURCES FROM DEVELOPMENT PROGRAMS. UNFORTUNATELY, GON CONFIDENCE IN THE U.S. AS A RELATIBE SECURITY PARTNER AND SUPPLIER OF CONVENTIONAL WEAPONS DETERIORATED CONSIDERABLY DURING PAST YEAR AND STRENGTHENED GON SENSE OF INSECURITY AND VULNERABILITY. AS A RESULT, GON INTEREST IN THIRD COUNTRY ARMS PURCHASES AND SUSCEPTIBILITY TO REGIONAL ARMS COMPETITION HAS INCREASED SIGNIFICANTLY.

-- PROPOSED ACTION: PREPARE WITH THE GN A THREE-TO-FIVE YEAR PLAN FOR RATIONAL TRAINING AND WEAPONS MODERNIZATION TIED TO SECURITY REQUIREMENTS (SEE ISSUE NO. 4).

-- OBJECTIVE NO. 6: PROMOTE UNDERSTANDING OF U.S. POLICIES AND PROGRAMS: MISCONCEPTIONS ABOUT U.S. POLICIES AND PROGRAMS RESULT FROM BOTH ANTI-AMERICAN PROPAGANDA AND GON'S EFFORTS TO PORTRAY THE U.S. AS AN UNCRITICAL SUPPORTER OF PRISENT SOMOZA AND HIS REGIME.

SECRET

SECRET

PAGE 04 MANAGU 01506 02 OF 04 020251Z

-- PROPOSED ACTIONS:

(A) INFORM THE GON AND NICARAGUAN PUBLIC OF U.S. CONCERNS AND RESULTANT POLICIES THROUGH PERSONAL CONTACTS AND INFORMATION PROGRAMS.

(B) PORTRAY ACCURATELY THE USG'S PROGRAMS AND POLICIES,

ESPECIALLY WITH REGARD TO ECONOMIC AND SECURITY ASSISTANCE.

(C) CONVEY U.S. FRIENDSHIP AND CONCERN FOR NICARAGUA'S DEVELOPMENT AND THE WELL-BEING OF ITS PEOPLE, PARTICULARLY THE POOR MAJORITY.

B. SPECIFIC ISSUES

-- ISSUE NO. 1: HUMAN RIGHTS: DM OUR TRADITIONAL, MUTUALLY BENEFICIAL AND COOPRATIVE RELATIONS WITH NICARAGUA ARE IN JEOPARDY AS A RESULT OF HEIGHTENED CONCERN BY THE U.S. GOVERNMENT AND AMERICAN PUBLIC OVER THE PRESENT HUMAN RIGHTS SITUATION IN NICARAGUA. THIS CONCERN IS BASED TO A CONSIDERABLE EXTENT UPON UNCONFIRMED ALLEGATIONS RATHER THAN VERIFIED CHARGES. THEREFORE, OUR FIRST PRIORITY IS TO PROMOTE AN INDEPENDENT AND IMPARTIAL INVESTIGATION OF THE ALLEGATIONS THAT WOULD PERMIT A BALANCED AND ACCURATE ASSESSMENT OF THE SITUATION. THE EMBASSY'S BEST CURRENT IUSTIMUUFNCS# THAT SUCH INVESTIGATION WILL DOCUMENT THESE CASES OF PHYSICAL ABUSE AND ARBITRARY EXECUTIONS BY THE GN PRIMARILY RELATED TO COUNTER-INSURGENCY OPERATIONS AGAINST THE PRO-CASTRO FSLN TERRORISTS, BUT WILL N# L DEMONSTRATE WIDESPREAD OR CONSISTENT PATTERN OF SUCH

VIOLATIONS. THE EMBASSY HAS REPEATEDLY EXPRESSED TO PRESIDENT SOMOZA AND OTHER GOVERNMENTAL OFFICIALS THE SECRET

SECRET

PAGE 05 MANAGU 01506 02 OF 04 020251Z

USG'S DEEP CONCERN AND HAS URGED INDEPENDED INVESTIGATION. THE CONSISTENT GON RESPONSE HAS BEEN THAT THE ALLEGATIONS ARE WITHOUT SUBSTANCE AND ARE POLITICALLY MOTIVATED. MEANWHILE, THE NUMBER OF REPORTED VIOLATIONS HAS DECLINED SINCE MID-1976, PROBABLY AS A RESULT OF FORCEFUL REPRESENTATIONS BY THE U.S. GOVERNMENT AND THE CATHOLIC CHURCH AND ADVERSE INTERNATIONAL PUBLICITY. REPSONSIBLE SOURCES, HOWEVER, CONTINUE TO REPORT HUMAN RIGHTS VILLATIONS. THE BEST HOPE FOR CLARIFYING THE NATURE AND SCOPE OF ABUSES, AND EVENTUALLY TERMINATING THEM, LIES IN AN IMPARTIAL INVESTIGATION AND PUNIXGMENT OF OFFENDERS.

-- THE OPTIONS AVAILAMWE ARE:

(A) PRIVATELY PRESS GON TO FACILITATE AN INVESTIGATION BY AN IMPARTIAL NICARAGUAN COMMISSION, THE OAS-IAHRC, OR SOME OTHER RESPECTED INTERNATIONAL BODY.

(B) UGSOATELY LINK CONTINUED U.S. ASSISTANCE AND OTHER PRODAMS OISAMIEFVESTIGATION BY AN IMPARTIAL NATIONAL

OR INTERNATIONAL BODY.

(C) PULCICLY MAKE SUCH LINKAGE.

(D) REDUCE PROGRAMS, STAFFS, AND SYMBOLS THAT TEND TO IDENTIFY US WITH GON IF AN INVESTIGAH ON IS NOT UNDERTAKEN OR PERMITTED.

(E) TERMINATE ALL PROGRAMS, LOANS AND EXCHANGES THAT BENEFIT THE GON.

OUR AIM SHOULD BE TO END HUMAN RIGHTS ABUSES WHILE MINIMIZING ADVERSE IMPACT ON O#A\* U.S.KWSNW#REAWS. THE EMBASSY'S FIRST STEP HAS BEEN TO PRIVATELY URGE AN IMPARTIAL INVESTIGATION. PUBLIC PRESSURE TENDS TO PROVOKE A NEGATIVE NATIONALISTIC REACTION, PROBABLY COUPLED WITH  
SECRET

SECRET

PAGE 06 MANAGU 01506 02 OF 04 020251Z

OPEN REJECTION. IN THE ABSENCE OF GON RESPONSE TO OUR REPRESENTATIONS AND INCREASE IN HUMAN RIGHTS ABUSES, THEN A REDUCTION OF U.S. ASSISTANCE AND OTHER PROGRAMS AND A PUBLIC EXPRESSION OF U.S. CONCERN IZ THE IAHRC SHOULD BE CONTEMPLATED. PUNITIVE ACTIONS (OPTIONS D AND E) SHOULD BE CONSIDERED ONLY IN THE EXTREME CASE OF GROSS AND SYSTEMATIC VIOLATIONS OF HUMAN RIGHTS.

NOTE BY OC/T: # AS RECEIVED CORRECTION FOLLOWS.

SECRET

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PAGE 01 MANAGU 01506 03 OF 04 022304Z  
ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01  
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02  
AGRE-00 AID-05 CIAE-00 COME-00 DODE-00 FEA-01  
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AMEMBASSY SAN SALVADOR  
AMEMBASSY TEGUCIGALPA  
AMCONSUL BELIZE  
USCINCSO

S E C R E T SECTION 03 OF 04 MANAGUA 1506

---ISSUE NO. 2: TRADE AND INVESTMENT: TRADITIONALLY, NICARAGUA HAS BEEN FAVORABLY PREDISPOSED TOWARD .S. PRODUCTS, SERVICES, AND INVESTMENTS, BUT GON PROCUREMENT SHOWS INCREASING EVIDENCE OF BEING INFLUENCED BY NON-COMMERCIAL CONSIDERATIONS. THE GON APPEARS TO BE DELIBERATELY REORIENTING TRADE TIES TOWARD THIRD COUNTRIES AND AWARDING OFFICIAL CONTRACTS TO FOREIGN CONTRACTORS WHO OFFER SPECIAL FINANCIAL INCENTIVES. WE HAVE REMINDED THE GON OF THE IMPORTANCE TO THE MAINTENANCE OF OUR MUTUALLY BENEFICIAL RELATIONS THAT ARE DISCRIMINATORY AND PROBABLE TREATMENT OF U.S. COMMERCIAL INTERESTS, AND ADDITIONAL ACTIONS MAY HAVE TO BE TAKEN TO PROTECT THOSE INTERESTS. THE GON IS LESS LIKELY TO BE RESPONSIVE TO MORALIZING

THAN TO ECONOMIC INDUCEMENTS OR PENALTIES, AND CAN BE EXPECTED TO BE ESPECIALLY SENSITIVE TO OUR QUESTIONING OF ITS ADHERENCE TO THE BILATERAL TREATY OF FRIENDSHIP, COMMERCE AND NAVIGATION.

SECRET

SECRET

PAGE 02 MANAGUA 01506 03 OF 04 022304Z

---THE AVAILABLE OPTIONS ARE:

(A) LIMIT OUR POSITION TO URGING GON THAT U.S. BUSINESS IS ENTITLED TO AT LEAST A FAIR SHARE OF OFFICIAL PROCUREMENT CONTRACTS

(B) RAISE THE ISSUE OF NICARAGUA'S ADHERENCE TO THE LETTER AND SPIRIT OF TREATY OF FRIENDSHIP AT THE HIGHEST LEVELS.

(C) INDICATE TO GON THAT U.S. SUPPORT FOR ASSISTANCE PROGRAMS FOR NICARAGUA WILL BE REVIEWED IN LIGHT OF OUR PERCEPTION OF NON-COMPETITIVE GON CONTRACT AWARDS WHICH ADVERSELY AFFECT U.S. BUSINESS INTERESTS.

(D) INDICATE TO GON THAT THE USG MAY DISCOURAGE EXTENSIONS OF PRIVATE U.S. CREDIT TO, AND INVESTMENT IN, NICARAGUA UNLESS U.S. BUSINESS IS TREATED FAIRLY.

WE RECOMMEND THAT IF CONTINUATION OF OPTION (A) PROVES INEFFECTIVE, DEPARTMENT AUTHORIZE IN NEAR FUTURE A REPRESENTATION TO GON ALONG THE LINES OF OPTION (B). SHOULD OPTION (B) NOT BRING THE DESIRED RESULTS, WE MAY REQUEST CONSIDERATION BY DEPARTMENT OF OPTION (C) AND, EVENTUALLY OPTION (D).

---ISSUE NO. 3: DEMOCRATIC ELECTIONS: MUNICIPAL ELECTIONS IN 1978  
WILL TEST WHETHER PRESIDENT SOMOZA IS WILLING TO ALLOW UNIMPEDED  
POPULAR PARTICIPATION IN THE DEMOCRATIC ELECTORAL PROCESS.  
THESE ELECTIONS HAVE THE POTENTIAL OF SIGNIFICANTLY AFFECTING  
LOCAL ATTITUDES TOWARD NICARAGUA'S DEMOCRATIC FUTURE GENERALLY AND  
THE 1981 PRESIDENTIAL ELECTIONS IN PARTICULAR. EARLY INDICATION BY  
PRESIDENT SOMOZA THAT THE MUNICIPAL ELECTIONS WILL BE FREE OF MANI-  
PULATION WILL TEND TO ENCOURAGE THE OPPOSITION TO MAKE A SERIOUS  
EFFORT TO MOBILIZE POPULAR SUPPORT AGAINST SOMOZA'S LIBERAL PARTY  
AND LESSEN THE ATTRACTIVENESS OF UNCONSTITUTIONAL ALTERNATIVES.

---THE AVAILABLE OPTIONS ARE:

(A) PRIVATELY URGE PRESIDENT SOMOZA BOTH TO PERMIT FREE ELECTIONS  
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SECRET

PAGE 03 MANAGU 01506 03 OF 04 022304Z

IN 1978 AND TO COMMUNICATE PUBLICLY HIS READINESS FOR FREE  
ELECTIONS.

(B) OPENLY EXPRESS U.S. SUPPORT FOR THE PRINCIPLE OF FREE NATIONAL  
AND LOCAL ELECTIONS IN NICARAGUA.

(C) REDUCE U.S. ASSISTANCE AND OTHER PROGRAMS AND DISTANCE OUR  
RELATIONSHIP IF THERE IS NO SATISFACTORY RESPONSE OR IF CREDIBLE  
EVIDENCE EXISTS OF ELECTORAL MANIPULATION AND FRAUD.

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PAGE 01 MANAGU 01506 04 OF 04 020245Z  
ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01  
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02  
AGR-05 AID-05 CIAE-00 COM-02 DODE-00 FEA-01 NSC-05  
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AMCONSUL BELIZE  
USCINCSO

SECRET SECTION 4 OF 4 MANAGUA 1506

IN THE ABSENCE OF A USG POLICY DECISION AND GUIDANCE ON THE EXTENT TO WHICH SUPPORT SHOULD BE GIVEN TO DEMOCRATIC GOVERNMENT, WE RECOMMEND AN INITIAL PRIVATE DEMARCHE (OPTION A). PRESIDENT SOMOZA IS MUCH MORE LIKELY TO ACCEPT OUR INITIATIVE IF HE CAN CHARACTERIZE IT AS HIS OWN.

---ISSUE NO. 4: ARMS TRANSFERS: THE SMALL U.S. SECURITY ASSISTANCE PROGRAM IS VIEWED BY GON AS TANGIBLE EVIDENCE OF U.S. COMMITMENT TO NICARAGUAN SECURITY. BEING A RELIABLE SUPPLIER OF RATIONAL TRAINING AND WEAPONS REQUIREMENTS HAS ENABLED THE U.S. TO MODERATE ARMS PURCHASES, DISCOURAGE NICARAGUA'S ENTRY INTO REGIONAL ARMS COMPETITION AND MAINTAIN INFLUENCE WITH GON ON HUMAN RIGHTS AND OTHER U.S. INTERESTS BUT THE GON INCREASINGLY QUESTIONS THE SERIOUSNESS OF US RESOLVE AND RELIABILITY AS AN ARMS SUPPLIER DUE TO THE SENTIMENT IN THE US CONGRESS HOSTILE TO ARMS SALES AND THE NEW ADMINISTRATION'S HUMAN RIGHTS POLICY. THE GON FEARS THE U.S. WILL ADOPT A MORE  
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SECRET

PAGE 02 MANAGUA 01506 04 OF 04 020245Z

RESTRICTIVE, POSSIBLY PUNITIVE, UNILATERAL ARMS TRANSFER POLICY. THE GON'S GROWING SENSE OF INSECURITY AND VULNERABILITY HAS STIMULATED AN INTEREST IN DIVERSIFIED ARMS PROCUREMENT FROM SPAIN, ISRAEL AND OTHER NON-U.S. SOURCES IT HAS LED TO ERRATIC ARMS REQUESTS TO TEST U.S. REACTION, INCREASED PURCHASES FROM THIRD COUNTRIES, AND GROWING PREOCCUPATION WITH REGIONAL IMBALANCES (E.G., CONCERN OVER RECENT HONDURAN ARMS ACQUISITIONS AND INTENTIONS). A MORE RESTRICTIVE U.S. POSTURE ON ARMS TRANSFERS TO NICARAGUA WOULD BE COUNTERPRODUCTIVE FROM THE VIEWPOINT OF ARMS CONTROL. ADMINISTRATION'S NEW ARMS TRANSFER POLICY HAS NOT YET BEEN DECIDED, BUT WE BELIEVE U.S. INTERESTS ARE BEST SERVED BY A CONSISTENT POLICY OF CONTINUED LIMITED DELIVERY OF U.S. ARMS AND TRAINING ASSISTANCE NECESSARY TO MEET NICARAGUA'S LEGITIMATE DEFENSE REQUIREMENTS.

---THE OPTIONS AVAILABLE ARE:

(A) DISASSOCIATE THE U.S. FROM THE GON UNDERPINNING OF THE GON BY REDUCING OR ELIMINATING THE SECURITY ASSISTANCE PROGRAM, UNLESS GON IS PREPARED TO BE RESPONSIVE TO HUMAN RIGHTS AND OTHER U.S. INTERESTS.

(B) DEMONSTRATE A CONTINUED U.S. SECURITY ASSISTANCE COMMITMENT BY RESPONDING TO REASONABLE AND MODEST CONVENTIONAL ARMS AND TRAINING REQUESTS ON A YEAR-BY-YEAR BASIS.

(C) UNDERTAKE TO ESTABLISH WITH THE GON A COHERENT AND RASONABLE  
THREE-TO-FIVE YEAR PLAN FOR NICARAGUA'S MILITARY ASSISTANCE REQUIRE-  
MENTS.

WE BELIEVE THE THIRD OPTION OFFERS THE GREATEST POTENTIAL FOR  
CONTINUING FRIENDLY RELATIONS, MODERATING DEVELOPMENTALLY COUNTER-  
PRODUCTIVE AND SOMETIMES IRRATIONAL EFFORTS OF THE GON TO INCREASE  
ARMS PROCUREMENT AND DEVELOP NEW TIES WITH THIRD COUNTRY ARMS  
SUPPLIERS, AND FOSTERING OTHER U.S. INTERSTS.  
THEBERGE

SECRET

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, CERP 0001, ANNUAL REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 31-Mar-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977MANAGU01506  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770115-0218  
**Format:** TEL  
**From:** MANAGUA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t1977033/aaaaachx.tel  
**Line Count:** 612  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 376620b3-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** SECRET  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 12  
**Previous Channel Indicators:** n/a  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 STATE 38356, 77 STATE 47671  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 27-Jan-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3019835  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I  
**TAGS:** AMGT, PFOR, NU  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/376620b3-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009